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# TELEGRAM

297

EXCISE

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DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY CF DATE 8/7/81
PORTIONS DENIED AS INDICATED

41
ACTION AF-18

INFO OCT-01 EUR-20 NEA-13 INT-06 STR-08 CIAE-00 DODE-00
PM-05 H-02 INR-07 L-04 NSAE-00 NSC-10 P-03 RSC-01
PRS-01 SS-20 USIA-12 E-15 COM-08 TRSY-11 CEA-02 FRB-02
RSR-01 /170 W

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P R 241009Z JUL 70
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC PRIORITY 6621
INFO USINT ALGIERS
AMEMBASSY BEIRUT
AMEMBASSY BENGHAZI
AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
USINT CAIRO
AMCONSUL DHAHRAN
AMEMBASSY JIDDA
USINT KHARTOUM
AMEMBASSY KUWAIT

S E C R E T SECTION 1 OF 2 TRIPOLI 1717

SUBJ: PETROLEUM SITUATION

1. SUMMARY: PRESENT INDICATIONS ARE THAT REVOLUTIONARY DRIVE TO REMOVE FOREIGN INFLUENCE, RCC'S POLITICAL REQUIREMENT TO DEMONSTRATE ACCOMPLISHMENT, AND LIBYAN DESIRE TO CONTROL OIL WEALTH WILL RESULT IN SERIES OF UNILATERAL ACTIONS AFFECTING SEGMENTS OF PETROLEUM INDUSTRY BETWEEN NOW AND SEPTEMBER 1 ANNIVERSARY OF REVOLUTION. AMONG TARGETS LARG HAS IDENTIFIED FOR LIBYANIZATION (HALF OR MORE LIBYAN OWNERSHIP) ARE SELECTED OIL SERVICE COMPANIES [redacted] OTHER POSSIBILITIES INCLUDE NATIONALIZATION OR LIBYANIZATION OF AOIL EXPORT TERMINALS AND/OR PIPELINES AND PARTIAL EXPROPRIATION OF NON-PRODUCING CONCESSIONARY AREAS, THROUGH CONVERTING THESE TO JOINT VENTURES BETWEEN

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COMPANIES AND LNOC ALONG LINES OF ALGERIAN MODEL. THESE ANTICIPATED MOVES ARE APART FROM TWO OTHER MATTERS ON WHICH WE EXPECT ACTION BY SEPTEMBER 1: POSTED PRICE ISSUE AND APPOINTMENT OF NEW MINI PET.

2. EXPANSION OF NATIONAL CONTROL. ONE OF LIBYA'S REVOLUTIONARY IMPERATIVES IS PROGRESSIVE ABOLITION OF SUBSTANCE AND APPEARANCE OF FOREIGN CONTROL. IN OIL INDUSTRY, LARG HAS SUCCEEDED IN ESTABLISHING CONSIDERABLE DEGREE OF CONTROL OVER PRODUCTION OPERATIONS. COMPANIES NOW ARE SUPPLYING "PROPRIETARY" ENGINEERING DATA - TO ALLEVIATE SQUEEZE ON PRODUCTION - WHICH THEY PREVIOUSLY REFUSED TO RELEASE. WITHIN MODERATE LIMITS, COMPANIES ARE DRILLING PRODUCTION WELLS WHERE AND WHEN LARG PERMITS. HAVING GAINED SOME CONTROL IN WAYS HAVING LITTLE PUBLIC APPEAL, WE THINK LARG IS READY FOR MORE DRAMATIC MOVES.

3. MINI PET MABRUK THIS WEEK TOLD MANAGERS OF SELECTED COMPANIES PROVIDING BASIC OIL FIELD SERVICES OF LARG'S DECISION TO MOVE INTO SERVICE FIELD. COMPANIES ARE UNDER PRESSURE TO AGREE PROMPTLY TO FORM 51-49 PERCENT JOINT VENTURES WITH LNOC. (DETAILS ARE BEING REPORTED SEPARATELY).

[redacted]

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4. BECAUSE OF APPEAL MOVING AGAINST FOREIGN INTERESTS HAS TO XENOPHOBIC LIBYANS AND RCC'S APPARENT NEED FOR STRING OF VICTORIES OVER FOREIGNERS, PARTIALLY IN COMPENSATION FOR LACK OF TANGIBLE ECONOMIC PROGRESS, WE CONSIDER BROADER MOVE TO ASSERT NATIONAL INTEREST IN FOREIGN-CONTROLLED OIL INDUSTRY TO BE GOOD POSSIBILITY ON OR BY SEPTEMBER 1. DEMAND FOR TURNING OVER "FOREIGN-CONTROLLED OIL ARTERIES" (PORTS AND PIPELINES) TO LIBYAN PEOPLE OR ASSERTING NATIONAL CONTROL OVER UNPRODUCTIVE OIL ACREAGE ARE PROSPECTIVE MOVES.



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NOT ONLY FOR POLITICAL MOTIVES BUT ALSO BECAUSE LARG MAY CALCULATE THAT COMPANIES CAN BE MADE TO SACRIFICE THESE INTERESTS WITHOUT REAL CONFRONTATION - SO LONG AS CRUDE OIL PRODUCTION REMAINS IN THEIR HANDS. LARG'S EXPERIENCE WITH IMPOSITION OF DRILLING PERMITS, PRODUCTION ALLOWABLES AND MARKETING NATIONALIZATION WOULD SUPPORT THIS CONCLUSION.

5. IMPOSITION OF POSTED PRICE SETTLEMENT. DURING CALL BY AMBASSADOR JULY 21 TO PRESENT GEOLOGICAL RECONNAISANCE REPORT AND USGS TRAINING PROPOSAL, MABRUK INITIATED DISCUSSION OF POSTED PRICE ISSUE AND SAID THAT:

A) COMPANIES MUST BE MORE FORTHCOMING WITH PRICE OFFERS;

B) SEPTEMBER 1 IS DEADLINE FOR ANNOUNCING RESOLUTION OF PRICE ISSUE;

C) PETROLEUM MINISTRY COULD CONVINCE RCC TO ACCEPT 20 CENT INCREASE BUT THIS IS MINIMUM LIMIT; AND

D) AGREEMENT WITH ESSO IS KEY TO SETTLEMENT OF ISSUE, AND ESSO WHOULD SEND SENIOR EXECUTIVE TO TRIPOLI WITH AUTHORITY TO CONCLUDE AGREEMENT. IN INSUING EXCHANGE, AMBASSADOR POINTED OUT: A) DIRECT INDICATION FROM RCC OF SUPPORT FOR LOWERING LARG'S DEMAND TO 20 CENT AREA MIGHT HELP TO REVIVE PRICE NEGOTIATIONS SINCE LOWEST OFFICIAL DEMAND IS FOR 37 CENT INCREASE, PLUS ESCALATING SUEZ ALLOWANCE. B) LARG SHOULD CONSIDER FINANCIAL IMPACT OF OTHER ISSUES, E.G., PRODUCTION CUT BACKS AND PORT DUES, ON COMPANIES' ABILITY TO BE RESPONSIVE ON POSTED PRICE, AND C) WITHOUT ADEQUATE ASSURANCES ABOUT LIMITS OF LARG'S DEMANDS, COMPANIES ARE UNDERSTANDABLY RELUCTANT TO MAKE SUBSTANTIAL NEW COMMITMENTS ON PRICES OR TO UNDERTAKE NEW INVESTMENT. MABRUK SEEMED TO TAKE POINT ABOUT PROBLEMS OF DIFFERING INDICATIONS OF LARG DEMANDS AND NEED FOR RCC ASSURANCES THAT MINISTRY'S LOWER FORMULATIONS ARE WITHIN BALL PARK. IN SUBSEQUENT CONVERSATION [redacted] MABRUK ALSO RECOGNIZED FINANCIAL INTERRELATIONSHIP OF VARIOUS LARG DEMANDS ON OIL INDUSTRY. B4

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PM-05 H-02 INR-07 L-04 NSAE-00 NSC-10 P-03 RSC-01
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P 241008Z JULY 70
FM AMEMBASSY TRIPOLI
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AMEMBASSY ROME
USINT CAIRO
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6. MABRUK'S INDICATIONS OF SOME UNDERSTANDING OF COMPANIES' PROBLEMS NOTWITHSTANDING, WE RECALL PETROLEUM UK'S QIBLAWI'S ANALYSIS OF MAGHRABI'S TACTICS AS DESIGNED TO LAY GROUNDWORK FOR UNILATERAL ACTION (TRIPOLI 1187), AND QIBLAWI'S CURRENT WARNINGS TO COMPANIES THAT MAGHRABI IS PREPARING TERMINAL REPORT ON PRICE NEGOTIATIONS THAT WILL LEAD TO UNILATERAL SOLUTION. COMPANY MANAGERS AND EXECUTIVES WITH WHOM WE HAVE TALKED ARE IN NO MOOD TO OFFER PRICE INCREASE IN 20 CENT RANGE WITHOUT COMPREHENSIVE ASSURANCES WHICH NO LARG SOURCE HAS SUGGESTED ARE ATTAINABLE WITHOUT INCREASED FLEXIBILITY ON BOTH SIDES. SOME UNILATERAL ACTION BY SEPTEMBER IS LIKELY.

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7. POLITICAL SETTING. CURRENT RUMOR THAT CIVILIAN MINISTERS ARE SHORTLY TO BE REPLACED BY RCC MEMBERS HAS BEEN GIVEN CREDENCE BY BOTH MINPET MABRUK AND UVS QIBLAWI CONFIDING TO CALLERS THAT MINISTERS WILL BE OUT OF OFFICE SOON. QIBLAWI SAYS BY END OF JULY. THERE IS GENERAL AGREEMENT IN SPECULATION THAT NEW MINPET WILL BE RCC MEMBER, AND SOME LIBYAN INFORMANTS OF OIL COMPANIES HAVE INDICATED HE MAY BE JALLUD. WE DOUBT JALLUD COULD CARRY ADDED BURDEN OF PETROLEUM PORTFOLIO OR THAT HE WILLINGLY WOULD SACRIFICE PORTION OF HIS PRESENT POWER BASE AS DEPUTY PRIME MINISTER, MINISTER OF INTERIOR AND LARGELY PRINCIPAL FOREIGN NEGOTIATOR TO TAKE ON PETROLEUM JOB. HOWEVER, JALLUD HAS SHOWN CONSIDERABLE INTEREST IN OIL NEGOTIATIONS AND, DURING ABSENCE ABROAD OF PRIME MINISTER QADHAFI AND ADVISER MAGHRABI, PRICE TALKS MOVED FORWARD UNDER HIS AUSPICES. JALLUD, OR ANOTHER RCC MEMBER AS MINPET WHO IDENTIFIES WITH HIM, COULD PROVIDE WAY OUT OF PRESENT IMPASSE BY TAKING OVER PRICE NEGOTIATIONS FROM MAGHRABI COMMITTEE, BUT OUR KNOWLEDGE OF INTERNAL RCC POLITICS IS INSUFFICIENT TO ASSESS WITH ANY CERTAINTY LIKELIHOOD OF THIS DEVELOPMENT.

8. COMMENT.

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